



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
ANDERSON COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1998

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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ALTON WATER DISTRICT AUDIT REPORT FOR THE YEAR ENDED DECEMBER 31, 1997	



Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Sarah Jane Schaaf, Secretary, Revenue Cabinet

Honorable Anthony D. Stratton, County Judge/Executive

Honorable Thomas D. Cotton, Former County Judge/Executive

Members of the Anderson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Anderson County, Kentucky, as of June 30, 1998, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Anderson County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Anderson County, Kentucky prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Anderson County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1998, in conformity with the cash basis of accounting described above.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Sarah Jane Schaaf, Secretary, Revenue Cabinet

Honorable Anthony D. Stratton, County Judge/Executive

Honorable Thomas D. Cotton, Honorable County Judge/Executive

Members of the Anderson County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of Anderson County, Kentucky, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organization, and is not a required part of the financial statements. The other information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present a Schedule of Findings and Questioned Costs, included herein, which discusses the following areas of noncompliance:

- The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$766,864 As Collateral And Entered Into A Written Agreement
- The County Should Utilize Budget Amendments
- Conflict Of Interest
- The County's Subrecipient Monitoring Activities Should Have Included Contacting Their Oversight Agency

In accordance with Government Auditing Standards, we have also issued our report dated July 21, 1999, on our consideration of Anderson County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
July 21, 1999

ANDERSON COUNTY OFFICIALS

Fiscal Year Ended June 30, 1998

Thomas D. Cotton	County Judge/Executive
Betty Springate	County Attorney
Harold Ritchey	County Clerk
Jan Rogers	Circuit Court Clerk
Jim Evans	Sheriff
Raymond Houp	Jailer
John Allen Perry	Property Valuation Administrator
W. Dudley Shryock	County Treasurer
Brian Ritchey	Coroner
Randy Peyton	Magistrate
Glenn Doyle	Magistrate
Garland Baxter	Magistrate
Alton Warford	Magistrate
Randy Chrisman	Magistrate
Aaron Barnett	Magistrate

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

ANDERSON COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1998

Assets and Other Resources

Assets

General Fund:

Cash	\$ 672,963
------	------------

Road and Bridge Fund:

Cash	50,063
------	--------

Jail Fund:

Cash	67,966
------	--------

Local Government Economic Assistance Fund:

Cash	13,487
------	--------

Escrow Fund:

Cash	32,440
------	--------

Construction Fund:

Cash	88,827
------	--------

Capital Outlay Fund:

Cash	93,368
------	--------

Park Land Acquisition Company Fund:

Cash	61,876
------	--------

Payroll Account - Cash	119,455
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Other Resources

General Fund:

Amounts to be Provided in Future Years for Capital Lease Payments	1,448,000
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Total Assets and Other Resources	\$ 2,648,445
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The accompanying notes are an integral part of the financial statements.

ANDERSON COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 1998
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund:

Capital Lease Obligation (Note 5A)	\$ 1,448,000
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Park Land Acquisition Company Fund:

Notes Payable (Note 4)	180,000
------------------------	---------

Payroll Account	119,455
-----------------	---------

Fund Balances

Reserved:

Construction Fund	88,827
-------------------	--------

Park Land Acquisition Company Fund	(118,124)
------------------------------------	-----------

Unreserved:

General Fund	672,963
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Road and Bridge Fund	50,063
----------------------	--------

Jail Fund	67,966
-----------	--------

Local Government Economic Assistance Fund	13,487
---	--------

Escrow Fund	32,440
-------------	--------

Capital Outlay Fund	93,368
---------------------	--------

Total Liabilities and Fund Balances	<u>\$ 2,648,445</u>
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The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

ANDERSON COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 3,636,097	\$ 1,848,433	\$ 684,663	\$ 62,777
Transfers In	745,638		113,651	258,987
Kentucky Advance Revenue Program	555,105	520,460	34,645	
Total Cash Receipts	<u>\$ 4,936,840</u>	<u>\$ 2,368,893</u>	<u>\$ 832,959</u>	<u>\$ 321,764</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 4,974,952	\$ 1,778,459	\$ 919,658	\$ 301,040
Unbudgeted Expenditures - Schedule of Other Expenditures	41,338			
Transfers Out	745,638			
Park Land Capital Lease Agreement - Principal (Note 5B)	300,000			
Kentucky Advance Revenue Program Repaid	555,105	520,460	34,645	
Total Cash Disbursements	<u>\$ 6,617,033</u>	<u>\$ 2,298,919</u>	<u>\$ 954,303</u>	<u>\$ 301,040</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	<u>\$ (1,680,193)</u>	<u>\$ 69,974</u>	<u>\$ (121,344)</u>	<u>\$ 20,724</u>
Cash Balance - July 1, 1997	2,761,183	602,989	171,407	47,242
Cash Balance - June 30, 1998	<u>\$ 1,080,990</u>	<u>\$ 672,963</u>	<u>\$ 50,063</u>	<u>\$ 67,966</u>

The accompanying notes are an integral part of the financial statements.

ANDERSON COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 1998
 (Continued)

Local Government Economic Assistance Fund	Escrow Fund	Construction Fund	Capital Outlay Fund	CDBG Fund	Park Land Acquisition Company Fund
\$ 64,541	\$ 373,000	\$ 40,777	\$ 530,214	\$ 386,685	\$ 18,007
\$ 64,541	\$ 373,000	\$ 40,777	\$ 530,214	\$ 386,685	\$ 18,007
\$ 113,865	\$ 99,703	\$ 1,290,924	\$ 70,018	\$ 401,285	\$
			745,638		41,338
	300,000				
\$ 113,865	\$ 399,703	\$ 1,290,924	\$ 815,656	\$ 401,285	\$ 41,338
\$ (49,324) 62,811	\$ (26,703) 59,143	\$ (1,250,147) 1,338,974	\$ (285,442) 378,810	\$ (14,600) 14,600	\$ (23,331) 85,207
\$ 13,487	\$ 32,440	\$ 88,827	\$ 93,368	\$ 0	\$ 61,876

The accompanying notes are an integral part of the financial statements.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1998

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Anderson County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Anderson County Park Land Acquisition Company as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Anderson County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.21 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. As of June 30, 1998, the uncollateralized amount on deposit was \$31,604. In addition, as of July 1, 1997; November 14, 1997; and December 29, 1997 the uncollateralized amounts on deposit were \$766,864; \$296,761; and \$469,732 respectively at the county's depository institutions. The pledged securities and FDIC insurance did not equal or exceed the amount on deposit. In addition, the county did not have a written agreement with the depository institutions.

ANDERSON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 1998
 (Continued)

Note 4. Notes Payable

On January 21, 1997 the Anderson County Park Land Acquisition Company ("the Company"), a non-profit corporation organized under Section 501 (c)(3) of the Internal Revenue Code, was formed by the Anderson county Fiscal Court ("the County"). The express purpose of "the Company" was to purchase land to lease to "the County" for the creation of a public recreation park. "The Company" entered into three loan agreements with three local banks for a total of \$480,000 (\$160,000 with each bank). The proceeds of these loans were used for the purchase of the land needed for the park. In addition to the proceeds from the aforementioned loans, "the Company" accepted donations to be used in the process of establishing a public park and retiring any debt incurred. The following schedule indicates outstanding loans of "the Company" as of June 30, 1998:

Description	Purchase Date	Maturity Date	Interest Rate	Amount
First Federal Savings Bank of Harrodsburg	4/30/98	4/30/99	5.0%	\$ 60,000
The Lawrenceburg National Bank	4/30/98	4/30/99	5.0%	\$ 60,000
Progressive Bank	4/30/98	4/30/99	5.0%	\$ 60,000

Note 5. Capital Lease Agreement and Internal Agreement

A. Courthouse Annex

Anderson County entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) for the construction of a courthouse annex. The agreement requires monthly interest payments and annual principal payments which vary in amount for the life of the lease agreement. The effective interest rate is 5.03 percent and the agreement will be paid in full as of January 20, 2017. The following schedule indicates principal and interest payments according to the original lease agreement.

Fiscal Year Due	Scheduled Interest and Other Fees	Principal Amount
1998-99	\$ 86,179	\$ 43,000
1999-00	83,512	46,000
2000-01	80,690	48,000
2001-02	77,747	50,000
2002-03	74,659	53,000
2003-17	584,094	1,208,000
Totals	\$ 986,881	\$ 1,448,000

ANDERSON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 1998
 (Continued)

Note 5. Capital Lease Agreement and Internal Agreement (Continued)

B. Anderson County Public Park

Anderson County entered into an internal agreement with the Anderson County Park Land Acquisition Company for the purchase a public park. The agreement requires monthly payments of \$3,168 for the life of the agreement. The interest rate is 5.0 percent and the agreement will be paid in full as of April 30, 2017. The agreement provides that there shall be no penalty for pre-payment of the original amount of \$480,000. The following schedule indicates monthly payments in accordance with the original agreement:

Description	Date	Date	Rate	Amount
Park Land	April 30, 1997	April 30, 2017	5.0%	\$ 3,168

The county did not make monthly payments during the fiscal year ended June 30, 1998. The county did, however, make lump-sum payments on the principal totaling three hundred thousand dollars. The outstanding principal balance on the agreement loans as of June 30, 1998 was \$180,000. This is the same money discussed in Note 4.

Note 6. Insurance

For the fiscal year ended June 30, 1998, Anderson County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

ANDERSON COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1998

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
General Fund	\$ 1,564,129	\$ 1,848,433	\$ 284,304
Road and Bridge Fund	601,612	684,663	83,051
Jail Fund	48,988	62,777	13,789
Local Government Economic Assistance Fund	71,991	64,541	(7,450)
Construction Fund	1,448,000	40,777	(1,407,223)
Capital Outlay Fund	485,000	530,214	45,214
CDBG Fund	401,285	386,685	(14,600)
Total	<u>\$ 4,621,005</u>	<u>\$ 3,618,090</u>	<u>\$ (1,002,915)</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 4,621,005
Add: Budgeted Prior Year Surplus	762,053
Less: Other Financing Uses	<u>(300,000)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 5,083,058</u>

SCHEDULE OF OPERATING REVENUE

ANDERSON COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Revenue From Local Taxes and Excess Fees</u>				
Sheriff:				
Taxes	\$ 786,243	\$ 786,243	\$	\$
Excess Fees - 1997	38,083	38,083		
County Clerk:				
Deed Transfer Tax	34,613	34,613		
Occupational Licenses	20,321			
Delinquent Taxes	6,691	6,691		
Excess Fees - 1997	123,997	123,997		
Kentucky State Treasurer -				
Distribution of Cellular Franchise				
Taxes	5,598	5,598		
911 Fees	57,194	57,194		
Tangible Personal Property Taxes:				
Other Counties	21,144	21,144		
County Clerk	111,191	111,191		
Omitted	3,811	3,811		
Insurance Premium Tax	499,126			
In Lieu of Taxes:				
U.S. Treasurer	1,707	1,707		
Bank Franchise	29,187	29,187		
Totals	<u>\$ 1,738,906</u>	<u>\$ 1,219,459</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Federal Receipts - State Treasurer</u>				
Disaster and Emergency Assistance				
Grants - Coordinator Salary	\$ 2,679	\$ 2,679	\$	\$
Community Development Block				
Grant - Waterline Project	386,685			
Disaster and Emergency Assistance				
Grant - 1997 Flood Relief	33,781	33,781		
Totals	<u>\$ 423,145</u>	<u>\$ 36,460</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

ANDERSON COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1998
(Continued)

Local Government Economic Assistance Fund	Escrow Fund	Construction Fund	Capital Outlay Fund	CDBG Fund	Park Land Acquisition Company Fund
\$	\$	\$	\$	\$	\$
			20,321		
			499,126		
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 519,447</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$	\$	\$	\$	\$	\$
				386,685	
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 386,685</u>	<u>\$ 0</u>

ANDERSON COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer</u>				
Jail:				
Allotments	\$ 26,619	\$	\$	\$ 26,619
Medical Allotments	2,425			2,425
Driving Under The Influence Fees	4,144			4,144
County Road Aid	455,366		455,366	
Road Aid - Rural Secondary	20,000		20,000	
Truck License Distribution	151,651		151,651	
Courthouse Rental - Administrative				
Office of the Courts	35,918	35,918		
Refunds:				
Legal Process Tax	117	117		
Drivers Licenses	1,790		1,790	
Dog Licenses	330	330		
Severance Taxes:				
Coal	22,370			
Mineral	42,171			
Board of Assessments	400	400		
Grants:				
Ambulance	16,330	16,330		
Disaster and Emergency				
Assistance Grant -				
Coordinator Salary	272	272		
Police Incentive Pay	5,934	5,934		
Totals	<u>\$ 785,837</u>	<u>\$ 59,301</u>	<u>\$ 628,807</u>	<u>\$ 33,188</u>

ANDERSON COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1998
(Continued)

Local Government Economic Assistance Fund	Escrow Fund	Construction Fund	Capital Outlay Fund	CDBG Fund	Park Land Acquisition Company Fund
\$ 22,370 42,171					
\$ 64,541	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

ANDERSON COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Miscellaneous Revenue</u>				
Interest	\$ 85,476	\$ 31,315	\$ 913	\$
Circuit Court Clerk:				
Jail Cost	22,185			22,185
Work Release	5,597			5,597
Bond Fees	330			330
Jail Cost - State of North Carolina	1,477			1,477
Insurance Reimbursements	6,775	6,775		
City Contributions-				
Parks and Recreation	15,750	15,750		
Animal Shelter	3,000	3,000		
Refunds	32,561	612	31,949	
Tire Disposal Grant	7,500		7,500	
Developer Fees	6,022		6,022	
Licenses and Permits:				
Building Permits	25,197	25,197		
Electrical Inspection Fees	33,449	33,449		
Cable TV Franchise	12,797	12,797		
Donations	16,303			
Charges for Services:				
Solid Waste Permits	6,600	6,600		
Parks/Vending Concessions	8,973	8,973		
Parks and Recreation	45,015	45,015		
Ambulance Service	326,569	326,569		
Animal Shelter	10,493	10,493		
Sheriff's Advertising Fees	536	536		
Sales of Material/Equipment	6,778		6,778	
Recycling	2,180		2,180	
Miscellaneous Items	6,646	6,132	514	
Totals	\$ 688,209	\$ 533,213	\$ 55,856	\$ 29,589
Total Operating Revenue	\$ 3,636,097	\$ 1,848,433	\$ 684,663	\$ 62,777

ANDERSON COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1998
(Continued)

Local Government Economic Assistance Fund	Escrow Fund	Construction Fund	Capital Outlay Fund	CDBG Fund	Park Land Acquisition Company Fund

\$	\$	\$ 40,777	\$ 10,767	\$	\$ 1,704
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16,303

\$ 0	\$ 0	\$ 40,777	\$ 10,767	\$ 0	\$ 18,007
\$ 64,541	\$ 0	\$ 40,777	\$ 530,214	\$ 386,685	\$ 18,007

COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

ANDERSON COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 48,313	\$ 48,313	\$
County Judge/Executive Secretary	23,072	23,072	
Part-Time Secretary	6,188	4,959	1,229
Office of County Attorney:			
Salaries-			
County Attorney	25,207	25,206	1
Secretary	8,941	8,941	
Office Allocation	3,000	3,000	
Office of County Clerk:			
Fiscal Court Clerk Salary	5,966	4,972	994
Fees	8,500	8,281	219
Office of Sheriff:			
DARE Program	250	250	
Office of County Coroner:			
Salaries-			
County Coroner	5,351	5,350	1
Deputy Coroner	1,948	1,948	
Expenses	1,500	1,500	
Fiscal Court:			
Magistrates-			
Salaries	43,643	42,331	1,312
Expense Allowance	7,200	7,050	150
Legal Advertising	6,800	6,776	24
Association Dues	2,500	1,239	1,261
Meeting Expenses	5,000	1,191	3,809
Office of Property Valuation Administrator:			
Statutory Contribution	29,720	29,719	1

ANDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

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GENERAL FUND (Continued)

General Government (Continued)

Office of Board of Assessment Appeals:			
Per Diem	\$ 500	\$	\$ 500
Office of County Treasurer:			
County Treasurer Salary	12,986	12,985	1
Office of Tax Administration:			
Business License Fee Administrator - Salary	18,082	18,081	1
Data Processing:			
Computer Supplies and Maintenance	14,000	5,413	8,587
County Law Library:			
Law Librarian Salary	600	600	
Elections:			
Per Diem-			
Election Commissioners	1,975	1,975	
Election Officers	5,500	3,989	1,511
Other Fees	1,000	40	960
Election Printing and Advertising	8,400	3,041	5,359
Planning and Zoning:			
Zoning Enforcement Officer - Salary	12,000	12,000	
Planning Commission Contribution	3,000	3,000	
Courthouse:			
Janitor Salary	21,042	21,041	1
Postage	6,000	5,221	779
Courthouse Repairs/Improvements	30,330	24,550	5,780
Utilities	50,000	49,456	544
Materials and Supplies	12,000	11,523	477
Attorney Fees	10,500	9,819	681

ANDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

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GENERAL FUND (Continued)

Protection to Persons and Property

County Police:

Salaries-

County Police	\$ 57,005	\$ 57,004	\$ 1
Incentive Pay	500		500
Supplies	8,748	8,047	701
Fuel	2,700	2,121	579
Vehicle Maintenance	4,800	2,989	1,811

Building Code Enforcement:

Electrical Inspector Salary	18,442	18,441	1
Mileage Reimbursement	2,500	1,858	642

Disaster and Emergency Services:

Director Salary	3,000	3,000	
Contributions	5,500	5,295	205

Ambulance Service:

Salaries-

Director	31,655	15,796	15,859
Assistant Director	28,945	28,945	
Advance Life Support Medical			
Director	9,985	9,985	
EMS Personnel	256,005	310,605	(54,600)
Supplies-			
Advance Life Support	31,707	31,706	1
Emergency Medical Service	2,907	3,207	(300)
Data Processing	3,382	3,381	1
ALS Training/Equipment	38,782	37,934	848
Collection Fees	4,000	3,052	948
Computer Maintenance	2,064	2,063	1
Fuel	8,000	7,001	999
Building Maintenance	4,600	7,447	(2,847)
Tires	1,500	1,978	(478)
Postage	2,300	1,709	591
Printing	1,000	1,000	

ANDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

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GENERAL FUND (Continued)

Protection to Persons and Property
 (Continued)

Ambulance Service: (Continued)

Uniforms	\$ 3,967	\$ 5,367	\$ (1,400)
Reimbursements	3,709	3,709	
Radio Equipment and Repairs	5,000	4,506	494
Vehicle Maintenance	11,000	12,784	(1,784)

Emergency Dispatch Service:

911 Project	53,661	53,661	
Pagers	5,000	3,695	1,305
Communications System	2,000		2,000

Forestry Fire Protection:

Kentucky State Treasurer	1,158	1,158	
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Animal Control:

Salaries-

Animal Control Officer	13,391	13,390	1
Part-Time	3,600	377	3,223
Veterinarian Charges	8,000	7,450	550
Animal Shelter Maintenance	4,288	4,287	1
Utilities	3,000	2,744	256
Fuel	1,000	828	172
Food and Supplies	7,900	7,874	26

Solid Waste Collection:

Assistant Salary	1,000	500	500
Office Supplies and Equipment	6,100	5,779	321
Conferences/Training	1,000	436	564
Education Program	2,000	450	1,550

Other Health Programs:

Livestock Inspector Salary	227		227
Drug Testing/Safety Program	400	162	238
Carcass Removal	5,760	5,600	160

ANDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

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GENERAL FUND (Continued)

Social Services

Senior Citizens Program:

Contribution	\$	18,500	\$	18,500	\$	
Anderson Senior Care - Contribution		3,000				3,000
Senior Citizen Center - Contribution		10		40,010		(40,000)

Commonwealth Attorney Program -
 Support

3,750	3,750
-------	-------

General Charity and Welfare:

Comprehensive Care Support	2,000		2,000
Community Action Agency	2,000		2,000
General Home Relief	500	204	296

Other Social Service Programs:

Nursing Home Ombudsman	1,500	1,500
------------------------	-------	-------

Recreation and Culture

Parks:

Salaries-			
Recreation Director	19,791	19,790	1
Part-Time Employees	32,500	30,819	1,681
Concessions	10,000	7,805	2,195
Supplies and Equipment	26,594	26,594	
Utilities	8,500	5,626	2,874

Cooperative Extension Service:

Soil Conservation District - Contribution	20,000	20,000
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ANDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

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GENERAL FUND (Continued)

Debt Service

Borrowed Money:

Kentucky Advance Revenue Program -

Interest	\$	11,132	\$	11,128	\$	4
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Other County Liabilities:

Lease-Purchase Agreement - Voting

Machines		30,818		30,780		38
----------	--	--------	--	--------	--	----

Administration

General Services:

Audit Services		8,600		8,548		52
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Insurance and Bonds		57,347		57,346		1
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Contributions -

Bluegrass ADD		1,075		1,075		
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KACO		900		900		
------	--	-----	--	-----	--	--

NACO		265				265
------	--	-----	--	--	--	-----

Contingent Appropriations:

Reserve for Transfers		8,552		7,527		1,025
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Fringe Benefits:

County Contributions-

Social Security		100,598		100,597		1
-----------------	--	---------	--	---------	--	---

Retirement		133,000		132,040		960
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Health Insurance		112,000		110,434		1,566
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Worker's Compensation		36,240		34,491		1,749
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Unemployment Insurance		3,000		2,842		158
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Total Operating Budget	\$	1,766,374	\$	1,778,459	\$	(12,085)
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Other Financing Uses:

* Kentucky Advance Revenue Program-

Principal		520,460		520,460		
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Total General Fund	\$	2,286,834	\$	2,298,919	\$	(12,085)
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ANDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

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ROAD AND BRIDGE FUND

Transportation Facilities and Services

Road Facilities:

Utilities	\$	7,801	\$	7,800	\$	1
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Roads

Office of Road Supervisor/Engineer:

Road Supervisor Salary		27,865		27,865		
------------------------	--	--------	--	--------	--	--

Road Maintenance:

Road Workers Salaries	194,781	179,039	15,742
General Construction Materials	350,000	546,986	(196,986)
Office Supplies	500	315	185
Fuel	12,000	11,429	571
Road Materials and Supplies	140,000	109,962	30,038
Repairs	32,671	33,991	(1,320)
Uniforms	2,500	1,481	1,019

Debt Service

Borrowed Money:

Kentucky Advance Revenue Program -			
Interest	1,645	741	904

Administration

General Services:

Drug Testing and Physicals	500	49	451
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Total Operating Budget	\$	770,263	\$	919,658	\$	(149,395)
------------------------	----	---------	----	---------	----	-----------

Other Financing Uses:

* Kentucky Advance Revenue Program-		
Principal	34,645	34,645

Total Road and Bridge Fund	\$	804,908	\$	954,303	\$	(149,395)
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ANDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

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JAIL FUND

Protection to Persons and Property

Office of Jailer:

Personnel Services-

Salaries-

Jailer	\$	37,795	\$	37,795	\$	
Part-Time Deputy		16,480		16,480		
Part-Time Personnel		15,000		15,911		(911)

Operations-

Office Supplies		550		524		26
Routine Medical		17,000		17,421		(421)
Staff Uniforms		550		509		41
Staff Training		750		723		27
Utilities		2,000		639		1,361
Vehicles		36,500		21,662		14,838
Contracts With Other Counties		170,000		179,301		(9,301)

Juvenile Detention:

Contracts With Other Counties		11,350		10,075		1,275
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Total Jail Fund	\$	307,975	\$	301,040	\$	6,935
-----------------	----	---------	----	---------	----	-------

LOCAL GOVERNMENT ECONOMIC
 ASSISTANCE FUND

Roads

Road Maintenance:

Solid Waste Landfill	\$	29,594	\$	22,735	\$	6,859
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Protection to Persons and Property

Office of Public Defender:

Public Advocacy Program		1,900				1,900
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Recreation and Culture

Cultural Program:

Adult Literacy Center - Rental		4,000		4,000		
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ANDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

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LOCAL GOVERNMENT ECONOMIC
 ASSISTANCE FUND (Continued)

Debt Service

Other County Liabilities:

Lease-Purchase Agreements-

Grader	\$ 64,970	\$ 52,831	\$ 12,139
Trucks	49,697	34,299	15,398

Total Local Government Economic
 Assistance Fund

\$ 150,161	\$ 113,865	\$ 36,296
------------	------------	-----------

ESCROW FUND

Ambulance Purchase	\$ 50,000	\$ 49,989	\$ 11
Waterline Project	36,000	36,000	
Park Land-			
Capital Lease-Purchase Agreement-			
Interest (Note 5)	50,014	13,714	36,300
Improvements	31,986		31,986

Total Operating Budget	\$ 168,000	\$ 99,703	\$ 68,297
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Other Financing Uses:

** Park Land Capital Lease Agreement-
 Principal (Note 5)

300,000	300,000	
---------	---------	--

Total Escrow Fund	\$ 468,000	\$ 399,703	\$ 68,297
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CONSTRUCTION FUND

Courthouse Addition	\$ 1,448,000	\$	\$
Feasibility Study and Architect		12,797	
Survey		250	
Bank Trustee Management Fees		1,968	
Interest		71,970	
Construction Costs		1,203,939	
Total Construction Fund	\$ 1,448,000	\$ 1,290,924	\$ 157,076

ANDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

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CAPITAL OUTLAY FUND

Cooperative Extension Service - Contribution	\$ 70,000	\$ 70,000	\$
Insurance Premium Tax Refunds	<u>1,000</u>	<u>18</u>	<u>982</u>
Total Capital Outlay Fund	<u>\$ 71,000</u>	<u>\$ 70,018</u>	<u>\$ 982</u>

CDBG FUND

Alton Water District - Phase I Construction	<u>\$ 401,285</u>	<u>\$ 401,285</u>	<u>\$ 0</u>
Total Operating Budget - All Funds	\$ 5,083,058	\$ 4,974,952	\$ 108,106
Other Financing Uses:			
* Kentucky Advance Revenue Program- Principal	555,105	555,105	
** Park Land Capital Lease Agreement- Principal (Note 5)	<u>300,000</u>	<u>300,000</u>	
TOTAL BUDGET - ALL FUNDS	<u>\$ 5,938,163</u>	<u>\$ 5,830,057</u>	<u>\$ 108,106</u>

SCHEDULE OF UNBUDGETED EXPENDITURES

ANDERSON COUNTY
SCHEDULE OF UNBUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

<u>Expenditure Items</u>	Park Land Acquisition Company Fund
Site Preparation	\$ 37,409
Bank Fees	30
Interest on Borrowed Money	<u>3,899</u>
Totals	<u>\$ 41,338</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Anthony D. Stratton, County Judge/Executive
Honorable Thomas D. Cotton, Former County Judge/Executive
Members of the Anderson County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Anderson County, Kentucky, as of and for the year ended June 30, 1998, and have issued our report thereon dated July 21, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Anderson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Anderson County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Anthony D. Stratton, County Judge/Executive
Honorable Thomas D. Cotton, Former County Judge/Executive
Members of the Anderson County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 21, 1999

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Anthony D. Stratton, County Judge/Executive
Honorable Thomas D. Cotton, Former County Judge/Executive
Members of the Anderson County Fiscal Court

Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Anderson County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 1998. Anderson County's major federal program is identified in the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Anderson County's management. Our responsibility is to express an opinion on Anderson County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Anderson County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Anderson County's compliance with those requirements.

In our opinion, Anderson County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1998.

Internal Control Over Compliance

The management of Anderson County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Anderson County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Honorable Anthony D. Stratton, County Judge/Executive
Honorable Thomas D. Cotton, Former County Judge/Executive
Members of the Anderson County Fiscal Court
Report On Compliance With Requirements Applicable To Each Major Program
And Internal Control Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed –
July 21, 1999

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ANDERSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 1998

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Anderson County.
2. No reportable conditions were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Anderson County were disclosed during the audit. However, immaterial instances of noncompliance are reported in Part B of this schedule.
4. No reportable conditions were disclosed during the audit of the major federal awards program.
5. The auditor's report on compliance for the audit of the major federal award program for Anderson County expresses an unqualified opinion.
6. There is one audit finding relative to the major federal awards program for Anderson County.
7. The program tested as a major program was U.S. Department of Housing and Urban Development Grant - Alton Water District Phase I Water Extensions and Improvements Project CFDA # 14.228.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Anderson County was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None

NONCOMPLIANCES

1. The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$766,864 As Collateral And Entered Into A Written Agreement To Protect Deposits

The county's deposits were not adequately secured by \$766,864 as of July 1, 1997; \$296,671 as of November 14, 1997; \$469,732 as of December 29, 1997; and \$31,604 as of June 30, 1998. Under provisions of KRS 66.480(1)(d) and KRS 41.240(4), banks are required to provide pledges of securities for interest-bearing and noninterest-bearing deposits if either exceeds the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation. The county should require the depository institution to pledge sufficient securities as collateral to insure deposits at all times. We also recommend the county enter into a written agreement with the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. According to federal law, 12 U.S.C.A. § 1823(e), this agreement should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

ANDERSON COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Fiscal Year Ended June 30, 1998
 (Continued)

NONCOMPLIANCES (Continued)

1. The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$766,864 As Collateral And Entered Into A Written Agreement To Protect Deposits
(Continued)
-

Management's Response:

This resulted from a bank switching situation. We plan to use Progressive Bank for Capital Outlay; L-burg National Bank for General, P/R, and CDBG; First Federal for Park Land Acq. Co. Additionally, we will request more collateral plus written security agreements.

2. The County Should Utilize Budget Amendments

There were expenditures in excess of the budget in the General Fund and the Road and Bridge Fund. Therefore, the fiscal court was not in compliance with KRS 68.300. The proper utilization of budget amendments, as set forth in KRS 68.280, would have prevented the fiscal court from being in conflict with KRS 68.300. We recommend the fiscal court utilize budget amendments in the future to properly budget expenditures.

Management's Response:

ACFC simply ran out of time. Budget amendments were prepared, the court & public were aware, but the timing was off. ACFC will not make that mistake again.

- 3 Conflict of Interest

During fiscal year ended June 30, 1998, the county disbursed \$382,285 of Community Development Block Grant Funds to the Alton Water District, a subrecipient of the county's federal financial assistance. Dudley Shryock, CPA, conducted the audit of Alton Water District's financial statements for the year ended December 31, 1997. Mr. Shryock is also the County Treasurer. KRS 11A.020 states, in part, that "No public servant by himself or through others, shall knowingly: a) Use or attempt to use his influence in any matter which involves a substantial conflict between his personal or private interest and his duties in the public interest; c) Use his official position or office to obtain financial gain for himself or any member of the public servant's family. Mr. Shryock's duties as County Treasurer and the performance of the Alton Water District's audit for calendar year 1997 appear to have created a conflict of interest based on the requirements set forth in KRS 11A.020.

Management's Response:

Alton Water & Sewer is not a component unit of ACFC and its financial statements are not included with those of ACFC. AWS has a separate Board of Commissioners whose only connection is being appointed by Judge Exec./Fiscal Court. Mr. Shryock was hired by the Board of Commissioners of AWS and exerted no influence to obtain this engagement.

ANDERSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 1998
(Continued)

NONCOMPLIANCES (Continued)

PRIOR YEAR FINDINGS

The county's deposits were not adequately secured during the month of February 1997. In addition, the county did not have written collateral security agreements with its depository institutions. This finding is also a current year noncompliance as reflected above.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM
AUDIT

The County's Subrecipient Monitoring Activities Should Have Included Contacting Their Oversight Agency

During fiscal year ended June 30, 1998, the county disbursed \$382,285 of Community Development Block Grant Funds to the Alton Water District, a subrecipient of the county's federal financial assistance. In accordance with Section 400(d) of OMB Circular A-133, Subrecipient Monitoring Activities, the county is responsible for ensuring the Alton Water District meets the audit requirements of OMB Circular A-133. These requirements include obtaining an auditor who is independent in accordance with Government Auditing Standards. Dudley Shryock, CPA, conducted the audit of Alton Water District's financial statements for the year ended December 31, 1997. Mr. Shryock is also the County Treasurer. Based on Mr. Shryock's duties as County Treasurer, the county should have contacted their oversight agency, the U.S. Department of Housing and Urban Development (HUD), prior to the beginning of the audit engagement and obtained a ruling with regard to Mr. Shryock's independence.

Management's Response:

- A. *Grant Administration was contracted to Bluegrass ADD. The only involvement Mr. Shryock had at the county level was to co-sign a check.*
- B. *Independence was discussed with BG ADD and no one had any problem with Mr. Shryock's distance from contract grant administration/audit.*
- C. *Who knows how to contact HUD? BG ADD works with DSLG personnel and does not have a direct contact to HUD itself.*

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

ANDERSON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 1998

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>Cash Programs</u>		
<u>U.S. Department of Housing and Urban Development</u>		
Passed-Through State Department of Local Government:		
Community Development Block Grant -		
Alton Water District Phase I Water		
Extensions and Improvements Project	B-95-DC-21-0001(027)	
(CFDA # 14.228)*		\$ 401,285
<u>U.S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs:		
Disaster and Emergency		
Assistance Grants-		
Coordinator Salary		
(CFDA #83.503)	N/A	2,726
Severe Weather		
(CFDA #83.516)	FEMA-1163-DR-KY	33,781
Total Cash Expenditures of Federal Awards		<u>\$ 437,792</u>

* Tested as a major program

See Notes to the Schedule of Expenditures of Federal Awards.

ANDERSON COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 1998

Note 1 - Basis of Presentation

This schedule is presented on a cash basis.

Note 2 - The federal expenditures for Community Development Block Grant – Alton Water District Phase I Water Extensions and Improvements Project consist of a grant to a subrecipient as follows:

<u>Subrecipient</u>	<u>Number</u>	<u>Pass-Through Grant Amount</u>
Alton Water District	B-95-DC-21-0001(027)	\$ 382,985

Note 3 - During fiscal year ended June 30, 1998, the county disbursed \$382,985 of Community Development Block Grant funds to the Alton Water District, a subrecipient of the county's Federal Financial Assistance. These funds were monitored by the county and an audit was performed in accordance with Circular A-133 on the Alton Water District by W. Dudley Shryock, CPA and Anderson County Treasurer.

CERTIFICATION OF COMPLIANCE

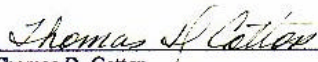
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

ANDERSON COUNTY FISCAL COURT

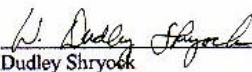
Fiscal Year Ended June 30, 1998

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
ANDERSON COUNTY FISCAL COURT

The Anderson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Thomas D. Cotton
County Judge/Executive



Dudley Shryock
County Treasurer

ALTON WATER DISTRICT

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 1997

Appendix B

